

Message Text

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ACTION NEA-10

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EB-07 INR-07 LAB-04 NSAE-00 SIL-01 DODE-00 PM-04
H-01 L-03 NSC-05 PA-01 PRS-01 SP-02 SS-15
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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 4733

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EO 11652: NA

TAGS: EIND, IN

SUBJ: INDUSTRIAL POLICY STATEMENT EMPHASIZES ROLE
OF SMALL SCALE AND COTTAGE INDUSTRIES

1. IN A MAJOR ADDRESS TO PARLIAMENT JULY 8 DEFENDING
HIS MINISTRY'S BUDGET REQUEST, THE NEW GOI INDUSTRIES
MINISTER, GEORGE FERNANDES, REEMPHASIZED THE NEED TO
DEVELOP SMALL SCALE AND COTTAGE INDUSTRIES TO SOLVE
THE GROWING UNEMPLOYMENT PROBLEM. FERNANDES IDENTIFIED
THESE BROAD GOALS FOR GOVERNMENT POLICY: A. MAXIMUM
PRODUCTION OF CONSUMER GOODS; B. OPTIMUM UTILIZATION
OF HUMAN AND MATERIAL RESOURCES; C. PREVENTION OF
CONCENTRATION OF ECONOMIC POWERS IN FEW HANDS; D. IMMEDIATE
DEVELOPMENT OF EMPLOYMENT ORIENTED INDUSTRIES; AND
E. THE NEED TO MAKE INDUSTRY RESPONSIVE TO SOCIAL
NEEDS. HE STATED THAT PRIORITY WILL BE GIVEN FOR
DEVELOPMENT OF RURAL AND VILLAGE INDUSTRIES BECAUSE OF
ITS HUGE POTENTIAL TO CREATE ADDITIONAL JOBS. IN THIS
REGARD, AN IN-DEPTH STUDY WAS BEING MADE TO IDENTIFY
PRODUCTS WHICH COULD BE RESERVED FOR RURAL INDUSTRIES.
HE CALLED ATTENTION TO THE FACT THAT THE NUMBER OF
ESTIMATED UNEMPLOYED PERSONS VARIED BETWEEN 20 AND 40
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MILLION, WHICH COULD BE EVEN HIGHER IF THE NUMBER OF
UNDEREMPLOYED PERSONS IN RURAL AREAS WERE INCLUDED.

2. FERNANDES REASSERTED THE GOVERNMENT'S INTENTION TO
MAKE NO MAJOR CHANGE IN POLICY IN SUPPORT OF PUBLIC
SECTOR ENTERPRISE OR CONTROLS ON LARGE-SCALE PRIVATE
INDUSTRY. HE SAID THE GOI INTENDED TO EXPAND THE PUBLIC

SECTOR DESPITE ITS SHORTFALL IN PREVIOUS YEARS. HE ADDED THAT A POLICY WOULD ALSO BE FORMULATED FOR WORKERS' PARTICIPATION IN THE OPERATION OF PUBLIC SECTOR UNITS, AND A SPECIAL INTER-MINISTERIAL UNIT WOULD BE ESTABLISHED TO CHECK THE MISUSE OF PUBLIC FUNDS. HE ADMITTED THAT DEMANDS HAD BEEN MADE TO ALTER THE DEFINITION OF LARGER INDUSTRIAL HOUSES FROM THE PRESENT RS 200 MILLION (\$23 MILLION) TO RS 750 MILLION (\$85 MILLION), THEREBY FREEING SOME ORGANIZATIONS FROM RESTRICTIVE CONTROLS. NOT ONLY HAD THESE DEMANDS BEEN REJECTED, BUT FURTHER STEPS WOULD BE TAKEN TO CURB THE CONCENTRATION OF ECONOMIC POWER.

3. THE MINISTER RECOGNIZED THE NEED FOR FOREIGN COLLABORATION AND INVESTMENT ON A SELECTIVE BASIS, PARTICULARLY IN AREAS INVOLVING HIGH DEGREE OF TECHNICAL SOPHISTICATION. A LIMITED AMOUNT OF SUCH TECHNOLOGY WAS ESSENTIAL, HE BELIEVED, TO REVIVE THE ECONOMY WHICH HAS BEEN "DEVASTATED IF NOT THROUGH WAR, AT LEAST THROUGH POLITICAL ACTION" OF THE PREVIOUS ADMINISTRATION. INDUSTRIAL LICENSING POLICY WOULD FURTHER BE SIMPLIFIED AND THE LICENSES WOULD BE ISSUED TO MEET THE SOCIAL OBJECTIVES SUCH AS THE DEVELOPMENT OF BACKWARD AREAS AND THE PREVENTION OF CONCENTRATION OF INDUSTRIES IN URBAN AREAS.

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4. COMMENT: THE MINISTER'S POLICY STATEMENT RECEIVED A MIXED REACTION. WHILE IT HAS BEEN GENERALLY WELCOMED IN POLITICAL CIRCLES, THE STOCK MARKETS REACTED UNFAVORABLY APPARENTLY BECAUSE OF THE RESTRICTIVE SCOPE FOR EXPANSION OF LARGER INDUSTRIAL HOUSES. THERE WAS LITTLE NEW IN THE SPEECH, WHICH REFLECTED A CAUTIOUS APPROACH TO MAJOR POLICY CHOICES COMBINED WITH A POLITICAL COMMITMENT TOWARDS IMPROVING THE WELFARE OF INDIA'S POOR. IN VIEW OF THE INADEQUATE INFRASTRUCTURE IN THE RURAL AREAS, THE IMPLEMENTATION OF THIS POLICY WILL BE DIFFICULT.
GOHEEN

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Message Attributes

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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Executive Order: N/A
Errors: N/A
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Handling Restrictions: n/a
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